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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:	)	
	)	
1998 Annual Access Tariff Filings	)	CC Docket No. 98-104

REBUTTAL OF
THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

The Southern New England Telephone Company ("SNET") submits its Rebuttal to the comments filed by AT&T on SNET's Direct Case filed on August 29, 1998 in response to the *Memorandum Opinion and Order, Order Designating Issues for Investigation, and Order on Reconsideration* adopted by the Federal Communications Commission ("Commission") in this proceeding.[1] In its Direct Case, SNET presented extensive documentation demonstrating that SNET's non-primary line penetration rate is accurate and that SNET's current definition of non-primary lines is reasonable. SNET also demonstrated that it is not reasonable to require SNET to change its definition of non-primary lines at this time.

Only one company – AT&T - filed comments opposing SNET's Direct Case. In their Comments, AT&T stated that the Commission should require SNET to classify 10% of its residential lines as non-primary.[2] AT&T's proposed figure appears to be arbitrary and is based on a study which is statistically weak. AT&T also mistakenly asserts that "a

[1] *In the Matter of 1998 Annual Access Tariff Filings*, CC Docket No. 98-104, Memorandum Opinion and Order, Order Designating Issues For Investigation, and Order On Reconsideration, released July 29, 1998 (*Order*).

[2] AT&T Comments On LEC Direct Cases, at 9.

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location definition should be easy to implement because telephone company records already identify the first and subsequent line into each service location."[3] This is also untrue, at least with respect to SNET. Thus, AT&T's arguments have no merit and should be rejected by the Commission.

As demonstrated in SNET's Direct Case and supported in this Rebuttal, SNET's non-primary line penetration rate is accurate. Also, SNET's billing systems do not retain data indicating the date on which a particular line was installed. In addition, it might be impossible to implement a definition of non-primary lines based on location in the new retail environment. Thus, SNET urges the Commission to defer ordering SNET to make the extensive systems changes necessary to implement a new definition of non-primary lines pending the Commission's imminent release of an Order defining primary and non-primary lines.

I. SNET'S NON-PRIMARY LINE PENETRATION RATE IS ACCURATE.

SNET's non-primary line penetration rate is accurate, as it reflects actual lines. In support of its 1998 Annual Access Tariff filing, SNET tracked actual line counts for primary residence, non-primary residence, single line business, and BRI-ISDN, and did not merely sample lines. Based on this calculation, SNET reported a non-primary line penetration rate of 6.88% for 1997. Also, as demonstrated in SNET's Direct Case, SNET's non-primary line penetration rate increased significantly in the first half of 1998.

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[3] *Id.* at 9-10.

and data indicates that SNET's non-primary line penetration rate for July 1998 was 8.9%.[4]

Furthermore, although SNET serves urban areas in Connecticut, the state's urban areas are among the poorest in the nation. A recent article in the *New Haven Register* describes the widening gap between the state's rich and poor.[5] The article also reveals that Connecticut has three of the ten poorest cities in the United States![6] This fact is particularly notable since Connecticut is one of the smallest states in the country. Thus, contrary to the assertions of both the Commission[7] and AT&T,[8] the fact that SNET serves urban areas does not mean that SNET's non-primary line penetration rate should be higher than it is.

In addition, as SNET described in detail in its Direct Case, unlike other LECs, SNET does not offer special promotions or discounts on additional lines. Nor does SNET waive installation fees for non-primary lines or offer free service on a promotional basis. Also, SNET does not promote additional lines via advertisements or customer mailings. As a result, there is no financial incentive for SNET's residential customers to order additional lines. In reality, SNET's customers actually pay *more* for additional residential lines because these lines are subject to higher Subscriber Line Charges (SLCs) and Presubscribed Interexchange Carrier Charges (PICCs).

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[4] *See* SNET Direct Case at 3.

[5] *See* "Gap Between State's Rich, Poor Widening," New Haven Register, Sept. 16, 1998. Article is included with this filing as Attachment 1.

[6] These cities are New Haven, Bridgeport and Hartford.

[7] *Order* at para. 16.

As demonstrated in SNET's Direct Case and in this Rebuttal, SNET's non-primary line penetration rate is accurate. Furthermore, the industry anticipates that the Commission will soon be releasing an Order defining primary and non-primary lines. For these reasons, SNET urges the Commission to defer ordering SNET to make the extensive systems changes necessary to implement a new definition of non-primary lines pending the Commission's imminent release of such an Order.

II. SNET'S BILLING SYSTEMS DO NOT RETAIN DATA INDICATING THE DATE ON WHICH A PARTICULAR LINE WAS INSTALLED.

Contrary to AT&T's assertions,[9] SNET's billing data does not identify which lines were established first at a particular location. While SNET retains the date on some Universal Service Order Codes ("USOCs"), it does not do so on all of them. In addition, SNET did not begin retaining these USOC dates until approximately 1990. In any event, this date is not helpful for purposes of identifying when a particular line was installed because the retained date changes whenever there is *any* activity recorded against the USOC, even if the change involves merely qualifying data. For example, if the Presubscribed Interexchange Carrier ("PIC") changes on a particular line, the date on the USOC changes even though the line itself already exists. This makes it impossible to determine when that line was actually installed.

The other date that SNET retains is the date on which the account was established. However, there are still problems with using this date to determine which account was the first account at a particular location. First, SNET did not begin retaining this date until

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[8] AT&T Comments at 9.

[9] *Id.* at 9-10.

the late 1970's, so older accounts may have no established date. Second, the only time that this date is changed is in conjunction with a change of billing name associated with the account. This means that a customer can move from one location to another and bring an existing account with him. Thus, a customer can move in with a roommate at another location and, if his account was established first, he would now become the owner of the primary line, even if he was not at that particular location first.

Even if SNET retained all of the dates associated with a particular line, there is still the problem of establishing the relationship of lines by location. For instance, although SNET knows the location associated with each line, there is nothing to tie them together for purposes of identifying when a particular line was installed if the lines are not billed on the same account.

Therefore, as SNET described in its Direct Case, in situations where multiple lines are in service at a particular location, it would be impossible for SNET to identify which line was installed first. Also, if the primary line at such a location were disconnected, SNET would not be able to identify which of the remaining lines was the second line installed and should, therefore, be the "new" primary line. As a result, SNET would be forced to arbitrarily assign lines a primary or non-primary classification. This would undoubtedly generate customer confusion and complaints.

For all of these reasons, AT&T is wrong when it claims that SNET can easily implement a definition of non-primary lines based on location. SNET can not implement such a definition without extensive and costly changes to its order negotiation and billing systems. SNET believes that its current definition of non-primary lines is reasonable.

However, if the Commission concludes that a new definition is warranted in its forthcoming Order, it is reasonable to wait until the Commission has released such an Order before implementing these extensive systems changes. To make such changes now, and then again once the Order is released, is inefficient, unnecessary and costly. Thus, SNET urges the Commission to release an Order defining non-primary lines and not require SNET to implement extensive systems changes prior to that Order.

III. A DEFINITION OF NON-PRIMARY LINES BASED ON LOCATION MIGHT BE IMPOSSIBLE TO IMPLEMENT IN THE NEW RETAIL ENVIRONMENT.

SNET explained in its Direct Case that it might be impossible to implement a definition of non-primary lines based on location in the new retail environment. The Connecticut Department of Public Utility Control ("DPUC") has mandated that, beginning in the summer of 1999, all local exchange customers in Connecticut will be asked to complete a ballot to choose their local exchange carrier.[10] At the conclusion of the ballot, all local exchange customers will be served by any of a number of Competitive Local Exchange Carriers ("CLEC's") that have been certified to provide local service in Connecticut.[11] In fact, end users could have multiple local service providers at a single location. In this environment, SNET will act solely as a network service provider. Thus, SNET will not maintain end user billing information, nor will SNET be involved in end user negotiations. In this environment, the CLEC will have responsibility for

[10] *See* Docket No. 94-10-05, *DPUC Investigation of The Southern New England Telephone Company Affiliate Matters Associated with Public Act 94-83* (released June 24, 1998).

[11] SNET's CLEC affiliate, SNET America, Inc. ("SAI") will be one of dozens of local service providers in Connecticut. These providers also include companies such as AT&T, Sprint and Connecticut Telephone, as well as many others.

determining the primary and non-primary billing numbers of its end users, as SNET will have no mechanism to aggregate billing name and number of lines per location.

Furthermore, if an end user buys local service from a CLEC that does not resell SNET service (i.e., complete bypass), SNET would not even have the data necessary to identify that other service exists at the service location, let alone the ability to identify whether such lines are primary or non-primary. As a result, it would be impossible to apply the different SLC and PICC rates for non-primary and primary lines.

It is clear, therefore, that it may be impossible for SNET to implement a definition of non-primary lines based on location in the new retail environment. This is an important consideration and is one which AT&T completely ignored in its Comments on SNET's Direct Case.

IV. SNET SHOULD NOT BE REQUIRED TO ARBITRARILY CLASSIFY 10% OF ITS RESIDENTIAL LINES AS NON-PRIMARY.

In its Comments, AT&T claims that the Commission should require SNET to classify 10% of its lines as non-primary.[12] AT&T states that, using a 10% annual growth rate on the 11.88% non-primary line penetration rate estimated by the Commission's Additional Lines Study, SNET's non-primary line penetration rate should be 10% of the 1997 residential demand using the Commission's 70% factor.[13] AT&T is wrong for several reasons. First, SNET believes that the Additional Lines Study, which AT&T relies upon to make this determination, is weak when held to traditional statistical standards. The study estimated an 11.88% non-primary line penetration rate with a

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[12] AT&T Comments at 8.

[13] *Id.*

3.22% standard error from a sample of 101 customers.[14] By statistical calculation, this implies a confidence level of only 68% (+/- 1 standard deviation). Therefore, when considering this relatively low degree of confidence on the Additional Line Study estimate of 11.88%, any calculations using this estimate will be questionable.

The traditional method of using a 95% confidence level (+/- 1.96 standard deviations) will give an error range of +/- 6.3%. Thus, SNET's 6.88% calculation of its 1997 non-primary line penetration rate falls well within the range of 11.88% +/- 6.3%.[15] It is also important to note that SNET did not estimate its 6.88% figure, but rather made the calculation based on its total customer population.

For these reasons, any projection based upon the Additional Line Study's estimated non-primary line penetration rate of 11.88% is suspect. As a result, AT&T's claim that SNET should be required to classify 10% of its residential lines as non-primary should be rejected by the Commission.

V. CONCLUSION

In both its Direct Case and this Rebuttal, SNET has provided extensive support for its actual reported non-primary line penetration rate and has demonstrated that this rate is accurate. Furthermore, SNET has shown that the arguments presented by AT&T in opposition to SNET's Direct Case have no merit. Thus, SNET urges the Commission

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[14] $e^2 = (z^2 * p * (1 - p)) / n$ where:
e = precision = .0322
z = z score for % confidence level
p = proportion non-primary = .1188
n = sample size = 101

[15] With a 95% confidence interval, SNET's calculation of the 6.88% non-primary line penetration rate is a statistically viable figure given that the lower bound of the interval is 5.58%.

to defer ordering SNET to make the extensive systems changes necessary to implement a new definition of non-primary lines pending the Commission's imminent release of an Order defining such lines. Because SNET's primary line penetration rate is based on actual data, is accurate, and has been steadily increasing during 1998, such a delay should not adversely affect the Commission's goals.

Respectfully submitted,

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TELEPHONE COMPANY

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September 25, 1998

BUSINESS

Gap between state's rich, poor widening

By Edward J. Crowder
Register Staff

Connecticut boasts one of the highest qualities of life in the United States, but a widening gap between rich and poor could undermine its right to claim that honor, according to a report released Tuesday.

The state maintains its top ranking in per-capita personal income, according to preliminary results from a Connecticut Policy and Economic Council report.

Its overall quality-of-life ranking won't be published until the Hartford-based public policy organization releases its full "Competitiveness Guide" early next month, though.

Aside from per-capita income, Connecticut scored well on other indicators, the preliminary report found. Those include the amount of land held in state parks, infant mortality and crime.

But since 1992, the state's poverty rate has increased from 9.4 percent to 11.7 percent in 1996. In that year, there were 382,000 Connecticut residents living at or below the poverty level, 74,000 more than in 1992.

"It does point out an issue that our policymakers probably should be aware of," said Susan Beckman, the council's research analyst. "How can we improve business's ability to help bring those people out of poverty? . . . How do we devise policies to help create jobs?"

The U.S. Census Bureau set the poverty level for a single person younger than 65 at $8,165 a year in 1996. The threshold for a family of four was $16,036.

The national poverty level declined during the same period. Connecticut's poverty ranking dropped from fourth best to 22nd.

Beckman said a rising poverty level could have unfortunate economic consequences.

"If people have less disposable income, they're going to be spending less in their communities, and that is a negative for the state," she said.

Meanwhile, the state's level of unemployment has dipped below national levels, apparently signifying rising ranks of working poor. Unemployment in June was 3.9 percent.

Corresponding with the rise in poverty, the report also found that an increasing portion of the state's workforce is doing without health insurance.

In 1992, only 8.1 percent of Connecticut residents were not covered by health insurance. That rose to 11 percent in 1996. The state fell in ranking from second place in 1992 to 11th place in 1996.

Connecticut clearly has major issues to grapple with in coming years, but "we're moving in the right direction," said economist Donald Klepper-Smith, president of DataCore Partners Inc. in Middletown.

"The state has clearly become more cost-competitive in recent years due to the combination of lower tax rates . . . more affordable housing and an improved job climate," he said.

"Connecticut has three of the 10 poorest cities in the United States within its borders, and we rank number-one in terms of income per capita. If Connecticut is going to retain its world-class status, what we really need to do is address those urban problems we have in Bridgeport, Hartford and New Haven," he said.

The council's Competitiveness Guide, when released in full, will include findings about quality of life, workforce characteristics, business costs and growth indicators.

Attachment 1